

NOTE 13 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

A. Bonds and Notes Payable

Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority utilize June 30 fiscal year-ends. The remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

| <u>Fiscal Years Ending In</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|-------------------|--------------------|
| 2003 | \$ 407.9 | \$ 287.2 | \$ 695.1 |
| 2004 | 221.8 | 290.8 | 512.6 |
| 2005 | 226.8 | 284.5 | 511.3 |
| 2006 | 228.8 | 272.8 | 501.6 |
| 2007 | 254.2 | 258.5 | 512.7 |
| | <u>1,339.6</u> | <u>1,393.8</u> | <u>2,733.3</u> |
| 2008-2012 | 1,347.6 | 1,058.7 | 2,406.3 |
| 2013-2017 | 1,144.7 | 733.5 | 1,878.2 |
| 2018-2022 | 1,159.0 | 426.0 | 1,585.1 |
| 2023-2027 | 535.5 | 203.5 | 739.0 |
| 2028-2032 | 440.2 | 90.0 | 530.2 |
| 2033-2037 | 530.1 | 33.0 | 563.1 |
| 2038-2043 | 254.6 | 134.0 | 388.5 |
| Total for 5-year column | <u>5,411.7</u> | <u>2,678.7</u> | <u>8,090.4</u> |
| Total | | <u>\$ 4,072.4</u> | <u>\$ 10,823.8</u> |
| Deferred amount on refunding | (76.7) | | |
| Unamortized discount | (.1) | | |
| Unamortized premium | 88.1 | | |
| Total principal | <u>\$ 6,762.6</u> | | |

Included in the table above is \$460.5 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, \$191.4 million, and the Michigan State Housing Development Authority, \$269.1 million. Defeased bonds outstanding of the Michigan Municipal Bond Authority, and nine of the State universities are not reflected in the table above.

Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of \$703.9 million as of September 30, 2002.

1, 1979 through September 30, 2002) which are not recorded as liabilities. Total taxable bonds issued by MSF for the period October 1, 1997 through September 30, 2002, was \$14.2 million, which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$4.8 billion of no commitment bonds as of September 30, 2002. Of the above amount, \$938.6 million have been defeased in substance. Economic gains and accounting gains and losses, resulting from substance defeasance, inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2002, limited obligation bonds had been issued totaling \$463.4 million, of which eight issues totaling \$77.6 million had been retired.

Central Michigan University entered into an interest rate exchange agreement for \$22.0 million of the General Revenue Bonds, Series 2002. In accordance with the exchange agreement, the University pays a fixed rate of 4.44% and receives 67% of the LIBOR rate.

Northern Michigan University entered into an interest rate exchange agreement for \$20.0 million of the 2001 General

B. Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2002, MHEFA had bonds outstanding of \$353.7 million. Of the above amount, \$19.4 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$ 334.3 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (\$5.9 billion for the period January

Michigan
Notes to the Financial Statements

Revenue Bonds. In accordance with the exchange agreement,
the University pays a fixed rate of 4.015% and receives 67% of

the one month LIBOR rate, adjusted weekly.